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**SINOPEC KANTONS HOLDINGS LIMITED**

**( 中 石 化 冠 德 控 股 有 限 公 司 ) \***

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 934)**

**ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018**

The board (the “**Board**”) of directors (the “**Directors**”) of Sinopec Kantons Holdings Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2018 (the “**Year**” or the “**Period**”) together with the comparative figures for the previous financial year. The financial information in this announcement (including the comparative information for the same period of 2017) is extracted from the 2018 financial statements, which have been audited by PricewaterhouseCoopers and reviewed by the audit committee of the Company (the “**Audit Committee**”).

# CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2018

|                                                                                                                                        |             | 2018<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|----------------------------------------------------------------------------------------------------------------------------------------|-------------|-------------------------|-------------------------|
|                                                                                                                                        | <i>Note</i> |                         |                         |
| <b>Revenue</b>                                                                                                                         | 3, 4        | <b>1,655,633</b>        | 1,729,239               |
| Cost of providing services                                                                                                             | 6           | <u>(838,324)</u>        | <u>(864,771)</u>        |
| <b>Gross profit</b>                                                                                                                    |             | <b>817,309</b>          | 864,468                 |
| Other income and other gains, net                                                                                                      | 5           | <b>133,573</b>          | 117,637                 |
| Distribution costs                                                                                                                     | 6           | <u>(15,094)</u>         | <u>(19,810)</u>         |
| Administrative expenses                                                                                                                | 6           | <u>(275,417)</u>        | <u>(214,657)</u>        |
| <b>Operating profit</b>                                                                                                                |             | <u><b>660,371</b></u>   | <u>747,638</u>          |
| Finance income                                                                                                                         |             | <b>3,168</b>            | 3,833                   |
| Finance costs                                                                                                                          |             | <u>(152,020)</u>        | <u>(166,279)</u>        |
| Finance costs, net                                                                                                                     |             | <u><b>(148,852)</b></u> | <u>(162,446)</u>        |
| Share of results of:                                                                                                                   |             |                         |                         |
| – Joint ventures                                                                                                                       |             | <b>825,594</b>          | 699,178                 |
| – Associates                                                                                                                           |             | <u><b>151,289</b></u>   | <u>143,331</u>          |
|                                                                                                                                        |             | <u><b>976,883</b></u>   | <u>842,509</u>          |
| <b>Profit before income tax</b>                                                                                                        |             | <b>1,488,402</b>        | 1,427,701               |
| Income tax expenses                                                                                                                    | 7           | <u>(226,994)</u>        | <u>(221,045)</u>        |
| <b>Profit for the year</b>                                                                                                             |             | <u><b>1,261,408</b></u> | <u>1,206,656</u>        |
| <b>Profit attributable to:</b>                                                                                                         |             |                         |                         |
| Equity holders of the Company                                                                                                          |             | <b>1,262,071</b>        | 1,207,928               |
| Non-controlling interests                                                                                                              |             | <u>(663)</u>            | <u>(1,272)</u>          |
|                                                                                                                                        |             | <u><b>1,261,408</b></u> | <u>1,206,656</u>        |
| <b>Basic and diluted earnings per share for profit attributable to equity holders of the Company (expressed in HK cents per share)</b> | 8           | <u><b>50.76</b></u>     | <u>48.59</u>            |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

|                                                                       | 2018<br>HK\$'000 | 2017<br>HK\$'000 |
|-----------------------------------------------------------------------|------------------|------------------|
| <b>Profit for the year</b>                                            | <b>1,261,408</b> | <b>1,206,656</b> |
| <b>Other comprehensive income for the year:</b>                       |                  |                  |
| <i>Items that may be reclassified subsequently to profit or loss:</i> |                  |                  |
| Exchange differences on currency translation                          |                  |                  |
| – Subsidiaries                                                        | (242,187)        | 320,793          |
| – Joint ventures                                                      | (283,173)        | 465,875          |
| – Associates                                                          | (38,120)         | 47,449           |
| Cash flow hedges                                                      |                  |                  |
| – Joint ventures                                                      | (67,192)         | (56,336)         |
| – Associates                                                          | (3,518)          | (3,980)          |
| Other comprehensive income for the year, net of tax                   | (634,190)        | 773,801          |
| <b>Total comprehensive income for the year</b>                        | <b>627,218</b>   | <b>1,980,457</b> |
| <b>Total comprehensive income attributable to:</b>                    |                  |                  |
| Equity holders of the Company                                         | 627,881          | 1,981,729        |
| Non-controlling interests                                             | (663)            | (1,272)          |
| <b>Total comprehensive income for the year</b>                        | <b>627,218</b>   | <b>1,980,457</b> |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

|                                                             | Note | 2018<br>HK\$'000  | 2017<br>HK\$'000  |
|-------------------------------------------------------------|------|-------------------|-------------------|
| <b>ASSETS</b>                                               |      |                   |                   |
| <b>Non-current assets</b>                                   |      |                   |                   |
| Property, plant and equipment                               |      | 6,212,395         | 6,915,064         |
| Investment properties                                       |      | 57,299            | 61,988            |
| Prepaid land lease payments                                 |      | 651,206           | 673,759           |
| Prepayment and other receivables                            |      | 25,932            | 50,082            |
| Interests in joint ventures                                 |      | 6,902,973         | 7,118,721         |
| Interests in associates                                     |      | 866,711           | 838,256           |
| <b>Total non-current assets</b>                             |      | <b>14,716,516</b> | <b>15,657,870</b> |
| <b>Current assets</b>                                       |      |                   |                   |
| Inventories                                                 |      | 17,110            | 15,300            |
| Trade and other receivables                                 | 9    | 1,042,302         | 1,005,725         |
| Cash and bank balances                                      |      | 320,685           | 409,855           |
| <b>Total current assets</b>                                 |      | <b>1,380,097</b>  | <b>1,430,880</b>  |
| <b>Total assets</b>                                         |      | <b>16,096,613</b> | <b>17,088,750</b> |
| <b>EQUITY</b>                                               |      |                   |                   |
| <b>Equity attributable to equity holders of the Company</b> |      |                   |                   |
| Share capital                                               |      | 248,616           | 248,616           |
| Reserves                                                    |      | 11,413,711        | 11,084,169        |
| Equity attributable to equity holders of the Company        |      | 11,662,327        | 11,332,785        |
| Non-controlling interests                                   |      | 36,457            | 37,120            |
| <b>Total equity</b>                                         |      | <b>11,698,784</b> | <b>11,369,905</b> |

|                                      |             | 2018              | 2017              |
|--------------------------------------|-------------|-------------------|-------------------|
|                                      | <i>Note</i> | <i>HK\$'000</i>   | <i>HK\$'000</i>   |
| <b>LIABILITIES</b>                   |             |                   |                   |
| <b>Non-current liabilities</b>       |             |                   |                   |
| Deferred income tax liabilities      |             | 130,299           | 109,993           |
| Borrowings                           |             | —                 | 2,775,452         |
| Government grants                    |             | 20,136            | 21,491            |
|                                      |             | <u>          </u> | <u>          </u> |
| <b>Total non-current liabilities</b> |             | <b>150,435</b>    | <b>2,906,936</b>  |
|                                      |             | <u>          </u> | <u>          </u> |
| <b>Current liabilities</b>           |             |                   |                   |
| Trade and other payables             | 11          | 509,596           | 363,399           |
| Borrowings                           |             | 3,673,325         | 2,387,658         |
| Income tax payable                   |             | 64,473            | 60,852            |
|                                      |             | <u>          </u> | <u>          </u> |
| <b>Total current liabilities</b>     |             | <b>4,247,394</b>  | <b>2,811,909</b>  |
|                                      |             | <u>          </u> | <u>          </u> |
| <b>Total liabilities</b>             |             | <b>4,397,829</b>  | <b>5,718,845</b>  |
|                                      |             | <u>          </u> | <u>          </u> |
| <b>Total equity and liabilities</b>  |             | <b>16,096,613</b> | <b>17,088,750</b> |
|                                      |             | <u>          </u> | <u>          </u> |

# NOTES TO THE FINANCIAL STATEMENTS

## 1 General information

Sinopec Kantons Holdings Limited (the “**Company**”) is a company incorporated in Bermuda with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. The addresses of its registered office and principal place of business are Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and 34/F, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong respectively.

The Company and its subsidiaries (together, the “**Group**”) are principally engaged in the provision of crude oil jetty services and natural gas pipeline transmission services. The principal activities of the joint ventures and associates of the Group are principally engaged in operation of crude oil and oil product terminals and ancillary facilities, provision of logistics services including storage, transportation and terminal services.

These financial statements are presented in Hong Kong dollars (“**HK\$**”), unless otherwise stated. These financial statements have been approved by the board of directors for issue on 21 March 2019.

In the opinion of the directors, the immediate holding company of the Company is Sinopec Kantons International Limited and the ultimate holding company is China Petrochemical Corporation (“**Sinopec Group**”). China Petroleum & Chemical Corporation (“**Sinopec Corp.**”), is an intermediate holding company of the Company and its shares are listed on the stock exchanges of Shanghai, Hong Kong, New York and London.

## 2 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”). The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

### 2.1 Going concern

As at 31 December 2018, the Group had net current liabilities of approximately HK\$2,867 million, which was attributable to short-term borrowings of approximately HK\$1,619 million from Sinopec Century Bright Capital Investment Limited (“**Century Bright**”), and approximately HK\$2,054 million of entrusted term loan from China International United Petroleum & Chemicals Co., Ltd (“**Unipet**”) due to mature on 28 June 2019. The entrusted term loan was accordingly reclassified as current liabilities at the year end.

The directors of the Company have reviewed the Group's cash flow projections, which cover a period of twelve months from the reporting period. The board of directors have considered, among others, internally generated funds and financial resources available to the Group in the adoption of going concern basis in the preparation of the consolidated financial statements. In December 2018, the Group successfully renewed the short-term revolving facility of US\$500 million (equivalent to approximately HK\$3,915 million) provided by Century Bright, for a period of 12 months, due to expire on 31 December 2019. Moreover, the Group is in an advanced discussion with Unipet regarding the renewal of the entrusted loan and Unipet has confirmed their intention that, without unforeseen situation, to approve the renewal of the entrusted loan upon its maturity on 28 June 2019 for another year.

The directors of the Company are of the opinion that, taking into account the anticipated cash flows generated from the Group's operation and successful renewal of the abovementioned short-term revolving loan facility and entrusted loan, the Group will have adequate resources to continue its operations for the foreseeable future for a period that is not less than 12 months from the end of the reporting period. Accordingly, the directors of the Company has adopted the going concern basis in preparing the consolidated financial statements.

## **2.2 Changes in accounting policy**

This note explains the impact of the adoption of HKFRS 15 Revenue from Contracts with Customers and HKFRS 9 Financial Instruments on the Group's financial statements.

### **Impact on the consolidated financial statements**

#### ***(a) HKFRS 15 Revenue from Contracts with Customers***

Revenues are recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time.

Management has performed an assessment on the effects on the Group's recognition basis applying HKFRS 15 and the details are as follows:

- (i) The recognition basis of the crude oil jetty and storage services revenue remains unchanged when the services are rendered; and
- (ii) The recognition basis of the natural gas pipeline transmission service revenue remains unchanged when the services are rendered.

The Group has elected the modified retrospective approach for transition to the new revenue standard. Nonetheless, there is no significant impact on the Group's accounting with respect to the timing of revenue recognition and allocation of the transaction price to performance obligations identified, except for changes in terminologies under HKFRS 15. The Group's revenue recognition policy is aligned with the requirements of HKFRS 15 and therefore no adjustments or reclassifications are required.

**(b) HKFRS 9 Financial Instruments**

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets and the details are as follows:

**(i) Classification and measurement**

The classification of debt financial assets depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The Group reclassifies debt investments when and only when its business model for managing those assets changes. The Group does not hold any other financial instruments as at the reporting date. No adjustments nor reclassifications are therefore required.

**(ii) Derivatives and hedging activities**

The interest rate swap contracts of the Group's joint ventures and associate continued to qualify as cash flow hedges under HKFRS 9. The Group's risk management strategies and hedging documentation are aligned with the requirement of HKFRS 9. No adjustments nor reclassifications are therefore required.

**(iii) Impairment**

The Group's financial assets at amortised costs (such as trade receivables), debt instruments at amortised cost are subject to the new expected credit loss ("ECL") model. For trade receivables, the Group applies the simplified approach to provide for ECL prescribed by HKFRS 9, which requires the use of the lifetime expected losses for all trade receivables. The adoption of the simplified expected loss approach under HKFRS 9 has not resulted in any material impact to the carrying value of trade receivables as at 1 January 2018.

For debt instruments at amortised cost, management considers that the credit risk has not increased significantly since initial recognition as the counterparties are mainly related parties and state-owned entities, which have a low credit risk of default and have strong capacity to meet contractual cash flows, as well as no adverse change is anticipated in the business environment. As such, the impairment provision as at 31 December 2018 is determined based on the 12-month ECL which is close to zero.

The Group's impairment methodology and classification are aligned with the expected credit loss requirements of HKFRS 9. No adjustments or reclassifications are therefore required.

While the new policies are generally required to be applied retrospectively, the Group has taken transitional provisions in HKFRS 9 not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Therefore, comparative balances have not been restated.

## 2.3 New standards, amendments and interpretations

### (a) *New and amended standards adopted by the Group*

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

|                                   |                                                                                             |
|-----------------------------------|---------------------------------------------------------------------------------------------|
| Amendments to HKAS 40             | Transfer of investment properties                                                           |
| Amendments to HKFRS 1 and HKAS 28 | Annual Improvements to HKFRS 2014-2016 Cycle                                                |
| Amendments to HKFRS 2             | Classification and Measurement of Share-based Payment Transactions                          |
| Amendments to HKFRS 4             | Insurance Contracts applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts |
| HK(IFRIC) 22                      | Foreign currency transactions and advance consideration                                     |
| HKFRS 9                           | Financial instruments                                                                       |
| HKFRS 15                          | Revenue from contracts with customers                                                       |
| HKFRS 15 (Amendment)              | Clarification to HKFRS 15                                                                   |

The above new standards, amendments, improvements and interpretation effective for the financial year beginning 1 January 2018 do not have a material impact on the Group, except for HKFRS 9 “Financial instruments” and HKFRS 15 “Revenue from contracts with customers”.

### (b) *New standards and interpretations not yet adopted*

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group. The Group’s assessment of the impact of these new standards and interpretations is set out below.

|                                                            |                                                                                          | <b>Effective for<br/>accounting<br/>periods<br/>beginning<br/>on or after</b> |
|------------------------------------------------------------|------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|
| Amendments to HKFRS 9                                      | Prepayment features with negative compensation                                           | 1 January 2019                                                                |
| Amendments to HKAS 19                                      | Plan amendment, curtailment or settlement                                                | 1 January 2019                                                                |
| Amendments to HKAS 28                                      | Long-term interests in Associates and Joint Ventures                                     | 1 January 2019                                                                |
| Amendments to HKFRS 3,<br>HKFRS 11, HKAS 12<br>and HKAS 23 | Annual Improvements to HKFRS Standards<br>2015-2017 Cycle                                | 1 January 2019                                                                |
| HK(IFRIC) 23                                               | Uncertainty over income tax treatments                                                   | 1 January 2019                                                                |
| HKFRS 16                                                   | Leases                                                                                   | 1 January 2019                                                                |
| Amendments to HKFRS 3                                      | Definition of a business                                                                 | 1 January 2020                                                                |
| Amendments to HKAS 1<br>and HKAS 8                         | Definition of material                                                                   | 1 January 2020                                                                |
| Conceptual Framework for<br>Financial Reporting 2018       | Revised Conceptual Framework for Financial<br>Reporting                                  | 1 January 2020                                                                |
| HKFRS 17                                                   | Insurance contracts                                                                      | 1 January 2021                                                                |
| Amendments to HKFRS 10<br>and HKAS 28                      | Sale or contribution of assets between an investor<br>and its associate or joint venture | To be announced                                                               |

**Nature of change**

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

**Impact**

The Group management has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

As at the reporting date, the Group has non-cancellable operating lease commitments of HK\$33,442,000, see note 12(b). The Group has no short-term leases and low value leases which will be recognised on a straight-line basis as expense in profit or loss.

For the remaining lease commitments the Group expects to recognise right-of-use assets of approximately HK\$25,000,000 on 1 January 2019, lease liabilities of approximately HK\$25,000,000 (after adjustments for prepayments and accrued lease payments recognised as at 31 December 2018).

The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

**Date of adoption by Group**

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

### 3 Segment reporting

The Group manages its businesses by divisions, which are organised by its business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's chief operating decision-maker for the purposes of resource allocation and performance assessment, the Group has identified three reportable segments, namely, rendering of crude oil jetty and storage services, rendering of vessel chartering and logistics services and rendering of natural gas pipeline transmission services. All operating segments which fulfil the aggregation criteria under HKFRS 8 – Operating segments are identified by the Group's chief operating decision maker, have been aggregated in arriving at the reportable segments of the Group.

- Crude oil jetty and storage services: this segment provides crude oil transportation, unloading, storage and other jetty services for oil tankers. Currently, the Group's activities in this regard are carried out in the PRC, Europe and the Middle East.
- Vessel chartering and logistics services: this segment provides vessel chartering services for liquefied natural gas transportation. Currently, the Group's activities are mainly carried out in the PRC, Australia and Papua New Guinea.
- Natural gas pipeline transmission services: this segment provides transmission services through its natural gas pipelines located in the PRC.

For the purposes of assessing segment performance and allocating resources between segments, the Group's chief operating decision-maker monitors the results, assets and liabilities attributable to each reporting segment on the following basis:

Segment assets include all assets, except for cash and bank balances, investment properties, dividend receivable from joint ventures, prepaid land lease payments, property, plant and equipment and unallocated trade and other receivables. Segment liabilities exclude unallocated trade and other payables, borrowings and deferred income tax liabilities. The Group's chief operating decision-maker has determined to present segment assets, liabilities and results of joint ventures and associates under respective segments. Comparative information has been reclassified to conform with current year's presentation.

#### (a) Segment results, assets and liabilities

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "segment results". Segment results include the operating profit generated by the segment and finance costs directly attributable to the segment. Items that are not specifically attributed to individual segments, such as unallocated other income, unallocated other finance income, and other corporate costs or income are excluded from segment results.

Management is provided with segment information concerning segment results on bank interest income, depreciation and amortisation and capital expenditures used by the segments in their operations.

Information regarding the Group's reportable segments as provided to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance for the year ended is set out as follow:

(i) As at and for the year ended 31 December 2018:

Year ended 31 December 2018

|                                        | Crude oil<br>jetty and<br>storage<br>services<br><i>HK\$'000</i> | Vessel<br>chartering<br>and logistics<br>services<br><i>HK\$'000</i> | Natural gas<br>pipeline<br>transmission<br>services<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|----------------------------------------|------------------------------------------------------------------|----------------------------------------------------------------------|------------------------------------------------------------------------|--------------------------|
| <b>Segment revenue</b>                 |                                                                  |                                                                      |                                                                        |                          |
| – Recognised at a point in time        | 529,575                                                          | –                                                                    | 999,934                                                                | 1,529,509                |
| – Recognised over time                 | 126,124                                                          | –                                                                    | –                                                                      | 126,124                  |
|                                        | 655,699                                                          | –                                                                    | 999,934                                                                | 1,655,633                |
| <b>Inter-segment revenue</b>           | –                                                                | –                                                                    | –                                                                      | –                        |
| <b>Revenue from external customers</b> | <u>655,699</u>                                                   | <u>–</u>                                                             | <u>999,934</u>                                                         | <u>1,655,633</u>         |
| <b>Segment results</b>                 |                                                                  |                                                                      |                                                                        |                          |
| – Company and subsidiaries             | 274,908                                                          | –                                                                    | 379,659                                                                | 654,567                  |
| – Associates                           | 143,958                                                          | 7,331                                                                | –                                                                      | 151,289                  |
| – Joint ventures                       | 746,968                                                          | 78,626                                                               | –                                                                      | 825,594                  |
|                                        | <u>1,165,834</u>                                                 | <u>85,957</u>                                                        | <u>379,659</u>                                                         | <u>1,631,450</u>         |
| Unallocated other corporate expenses   |                                                                  |                                                                      |                                                                        | <u>(143,048)</u>         |
| Profit before income tax               |                                                                  |                                                                      |                                                                        | 1,488,402                |
| Income tax expenses                    |                                                                  |                                                                      |                                                                        | <u>(226,994)</u>         |
| Profit for the year                    |                                                                  |                                                                      |                                                                        | <u><u>1,261,408</u></u>  |
| <b>Other segment items</b>             |                                                                  |                                                                      |                                                                        |                          |
| Bank interest income                   | 404                                                              | –                                                                    | 2,748                                                                  | 3,152                    |
| Depreciation and amortisation          | (150,834)                                                        | –                                                                    | (275,320)                                                              | (426,154)                |
| Capital expenditures                   | <u>(10,229)</u>                                                  | <u>–</u>                                                             | <u>(5,365)</u>                                                         | <u>(15,594)</u>          |

As at 31 December 2018

|                                           | <b>Crude oil<br/>jetty and<br/>storage<br/>services<br/><i>HK\$'000</i></b> | <b>Vessel<br/>chartering<br/>and logistics<br/>services<br/><i>HK\$'000</i></b> | <b>Natural gas<br/>pipeline<br/>transmission<br/>services<br/><i>HK\$'000</i></b> | <b>Total<br/><i>HK\$'000</i></b> |
|-------------------------------------------|-----------------------------------------------------------------------------|---------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|----------------------------------|
| <b>Segment assets</b>                     |                                                                             |                                                                                 |                                                                                   |                                  |
| – Company and subsidiaries                | 2,388,763                                                                   | –                                                                               | 4,805,784                                                                         | 7,194,547                        |
| – Associates                              | 796,069                                                                     | 70,642                                                                          | –                                                                                 | 866,711                          |
| – Joint ventures                          | 6,072,477                                                                   | 830,496                                                                         | –                                                                                 | 6,902,973                        |
|                                           | <u>9,257,309</u>                                                            | <u>901,138</u>                                                                  | <u>4,805,784</u>                                                                  | <u>14,964,231</u>                |
| <b>Unallocated assets</b>                 |                                                                             |                                                                                 |                                                                                   |                                  |
| – Cash and bank balances                  |                                                                             |                                                                                 |                                                                                   | 320,685                          |
| – Trade and other receivables             |                                                                             |                                                                                 |                                                                                   | 17,532                           |
| – Investment properties                   |                                                                             |                                                                                 |                                                                                   | 57,299                           |
| – Property, plant and equipment           |                                                                             |                                                                                 |                                                                                   | 86,113                           |
| – Dividend receivable from joint ventures |                                                                             |                                                                                 |                                                                                   | 51,360                           |
| – Prepaid land lease payments             |                                                                             |                                                                                 |                                                                                   | 599,393                          |
|                                           |                                                                             |                                                                                 |                                                                                   | <u>1,132,382</u>                 |
| <b>Total assets</b>                       |                                                                             |                                                                                 |                                                                                   | <u><u>16,096,613</u></u>         |
| <b>Segment liabilities</b>                | <u>74,827</u>                                                               | <u>–</u>                                                                        | <u>2,232,083</u>                                                                  | <u>2,306,910</u>                 |
| <b>Unallocated liabilities</b>            |                                                                             |                                                                                 |                                                                                   |                                  |
| – Trade and other payables                |                                                                             |                                                                                 |                                                                                   | 341,620                          |
| – Borrowings                              |                                                                             |                                                                                 |                                                                                   | 1,619,000                        |
| – Deferred income tax liabilities         |                                                                             |                                                                                 |                                                                                   | 130,299                          |
|                                           |                                                                             |                                                                                 |                                                                                   | <u>2,090,919</u>                 |
| <b>Total liabilities</b>                  |                                                                             |                                                                                 |                                                                                   | <u><u>4,397,829</u></u>          |

(ii) As at and for the year ended 31 December 2017:

Year ended 31 December 2017

|                                        | Crude oil<br>jetty and<br>storage<br>services<br><i>HK\$ '000</i> | Vessel<br>chartering<br>and logistics<br>services<br><i>HK\$ '000</i> | Natural gas<br>pipeline<br>transmission<br>services<br><i>HK\$ '000</i> | Total<br><i>HK\$ '000</i> |
|----------------------------------------|-------------------------------------------------------------------|-----------------------------------------------------------------------|-------------------------------------------------------------------------|---------------------------|
| <b>Segment revenue</b>                 |                                                                   |                                                                       |                                                                         |                           |
| – Recognised at a point in time        | 491,701                                                           | –                                                                     | 1,136,885                                                               | 1,628,586                 |
| – Recognised over time                 | 100,653                                                           | –                                                                     | –                                                                       | 100,653                   |
|                                        | 592,354                                                           | –                                                                     | 1,136,885                                                               | 1,729,239                 |
| <b>Inter-segment revenue</b>           | –                                                                 | –                                                                     | –                                                                       | –                         |
| <b>Revenue from external customers</b> | <u>592,354</u>                                                    | <u>–</u>                                                              | <u>1,136,885</u>                                                        | <u>1,729,239</u>          |
| <b>Segment results</b>                 |                                                                   |                                                                       |                                                                         |                           |
| – Company and subsidiaries             | 231,206                                                           | –                                                                     | 475,167                                                                 | 706,373                   |
| – Associates                           | 136,271                                                           | 7,060                                                                 | –                                                                       | 143,331                   |
| – Joint ventures                       | 642,903                                                           | 56,275                                                                | –                                                                       | 699,178                   |
|                                        | <u>1,010,380</u>                                                  | <u>63,335</u>                                                         | <u>475,167</u>                                                          | <u>1,548,882</u>          |
| Unallocated other corporate expenses   |                                                                   |                                                                       |                                                                         | <u>(121,181)</u>          |
| Profit before income tax               |                                                                   |                                                                       |                                                                         | 1,427,701                 |
| Income tax expenses                    |                                                                   |                                                                       |                                                                         | <u>(221,045)</u>          |
| Profit for the year                    |                                                                   |                                                                       |                                                                         | <u><u>1,206,656</u></u>   |
| <b>Other segment items</b>             |                                                                   |                                                                       |                                                                         |                           |
| Bank interest income                   | 569                                                               | –                                                                     | 3,248                                                                   | 3,817                     |
| Depreciation and amortisation          | (171,928)                                                         | –                                                                     | (263,887)                                                               | (435,815)                 |
| Capital expenditures                   | <u>(30,550)</u>                                                   | <u>–</u>                                                              | <u>(20,124)</u>                                                         | <u>(50,674)</u>           |

As at 31 December 2017

|                                           | Crude oil<br>jetty and<br>storage<br>services<br><i>HK\$ '000</i> | Vessel<br>chartering<br>and logistics<br>services<br><i>HK\$ '000</i> | Natural gas<br>pipeline<br>transmission<br>services<br><i>HK\$ '000</i> | Total<br><i>HK\$ '000</i> |
|-------------------------------------------|-------------------------------------------------------------------|-----------------------------------------------------------------------|-------------------------------------------------------------------------|---------------------------|
| <b>Segment assets</b>                     |                                                                   |                                                                       |                                                                         |                           |
| – Company and subsidiaries                | 2,298,904                                                         | –                                                                     | 5,296,817                                                               | 7,595,721                 |
| – Associates                              | 760,702                                                           | 77,554                                                                | –                                                                       | 838,256                   |
| – Joint ventures                          | 6,266,868                                                         | 851,853                                                               | –                                                                       | 7,118,721                 |
|                                           | <u>9,326,474</u>                                                  | <u>929,407</u>                                                        | <u>5,296,817</u>                                                        | <u>15,552,698</u>         |
| <b>Unallocated assets</b>                 |                                                                   |                                                                       |                                                                         |                           |
| – Cash and bank balances                  |                                                                   |                                                                       |                                                                         | 409,855                   |
| – Trade and other receivables             |                                                                   |                                                                       |                                                                         | 25,110                    |
| – Investment properties                   |                                                                   |                                                                       |                                                                         | 61,988                    |
| – Property, plant and equipment           |                                                                   |                                                                       |                                                                         | 86,345                    |
| – Dividend receivable from joint ventures |                                                                   |                                                                       |                                                                         | 340,946                   |
| – Prepaid land lease payments             |                                                                   |                                                                       |                                                                         | 611,808                   |
|                                           |                                                                   |                                                                       |                                                                         | <u>1,536,052</u>          |
| <b>Total assets</b>                       |                                                                   |                                                                       |                                                                         | <u><u>17,088,750</u></u>  |
| <b>Segment liabilities</b>                | <u>116,011</u>                                                    | <u>–</u>                                                              | <u>2,937,496</u>                                                        | <u>3,053,507</u>          |
| <b>Unallocated liabilities</b>            |                                                                   |                                                                       |                                                                         |                           |
| – Trade and other payables                |                                                                   |                                                                       |                                                                         | 167,687                   |
| – Borrowings                              |                                                                   |                                                                       |                                                                         | 2,387,658                 |
| – Deferred income tax liabilities         |                                                                   |                                                                       |                                                                         | 109,993                   |
|                                           |                                                                   |                                                                       |                                                                         | <u>2,665,338</u>          |
| <b>Total liabilities</b>                  |                                                                   |                                                                       |                                                                         | <u><u>5,718,845</u></u>   |

**(b) Analysis of information by geographical regions**

The following tables set out information about the geographical information of the Group's revenue, non-current assets and total assets. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers, and segment assets are based on the geographical location of the assets.

**Revenue**

|                                            | 2018<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|--------------------------------------------|-------------------------|-------------------------|
| The People's Republic of China (the "PRC") | <u>1,655,633</u>        | <u>1,729,239</u>        |

**Non-current assets**

|                      | 2018<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|----------------------|-------------------------|-------------------------|
| The PRC              | 11,188,093              | 12,025,062              |
| Europe               | 1,371,309               | 1,429,214               |
| Indonesia            | 686,020                 | 698,406                 |
| Hong Kong            | 924,871                 | 954,703                 |
| United Arab Emirates | 545,485                 | 549,697                 |
| Others               | <u>738</u>              | <u>788</u>              |
|                      | <u>14,716,516</u>       | <u>15,657,870</u>       |

**Total assets**

|                      | 2018<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|----------------------|-------------------------|-------------------------|
| The PRC              | 12,399,061              | 12,984,877              |
| Europe               | 1,371,309               | 1,429,214               |
| Indonesia            | 792,775                 | 805,641                 |
| Hong Kong            | 987,245                 | 1,318,533               |
| United Arab Emirates | 545,485                 | 549,697                 |
| Others               | <u>738</u>              | <u>788</u>              |
|                      | <u>16,096,613</u>       | <u>17,088,750</u>       |

**(c) Major customers**

For the purpose of disclosure under segment reporting, one customer (including Sinopec Gas Company and China Petroleum & Chemical Corporation Guangzhou Branch) (2017: one customer, including Sinopec Gas Company and China Petroleum & Chemical Corporation Guangzhou Branch) from crude oil jetty services and natural gas pipeline transmission services has transactions that exceeded 92% of the Group's revenue, amounting to approximately HK\$1,528,036,000 (2017: HK\$1,624,098,000). This customer mainly operates in the PRC.

**(d) Capital expenditures**

|         | <b>2018</b><br><b>HK\$'000</b> | <b>2017</b><br><b>HK\$'000</b> |
|---------|--------------------------------|--------------------------------|
| The PRC | <b>15,594</b>                  | <b>50,674</b>                  |

**(e) Assets and liabilities related to contracts with customers**

No assets and liabilities related to contracts with customers were recognised by the Group.

**4 Revenue**

|                                              | <b>2018</b><br><b>HK\$'000</b> | <b>2017</b><br><b>HK\$'000</b> |
|----------------------------------------------|--------------------------------|--------------------------------|
| Provision of services:                       |                                |                                |
| – Crude oil jetty and storage services       | <b>655,699</b>                 | 592,354                        |
| – Natural gas pipeline transmission services | <b>999,934</b>                 | 1,136,885                      |
|                                              | <b>1,655,633</b>               | <b>1,729,239</b>               |

## 5 Other income and other gains, net

|                                                         | 2018<br>HK\$'000      | 2017<br>HK\$'000      |
|---------------------------------------------------------|-----------------------|-----------------------|
| Other income:                                           |                       |                       |
| – Rental income from investment properties              | 7,433                 | 8,070                 |
| – Government grants                                     |                       |                       |
| – Value added tax refund                                | 52,875                | 56,083                |
| – Amortisation of deferred government grant             | 280                   | –                     |
| – Interest income from loans to:                        |                       |                       |
| – An associate                                          | 3,722                 | 4,085                 |
| – A joint venture                                       | 47,137                | 36,244                |
| – Management fee income from a joint venture            | 3,484                 | 3,249                 |
|                                                         | <u>114,931</u>        | <u>107,731</u>        |
| Other gains/(losses):                                   |                       |                       |
| – Net foreign exchange gain                             | 20,364                | 10,001                |
| – Net loss on disposal of property, plant and equipment | (1,673)               | (113)                 |
| – Others                                                | (49)                  | 18                    |
|                                                         | <u>18,642</u>         | <u>9,906</u>          |
|                                                         | <u><b>133,573</b></u> | <u><b>117,637</b></u> |

## 6 Expenses by nature

|                                                              | 2018<br>HK\$'000    | 2017<br>HK\$'000     |
|--------------------------------------------------------------|---------------------|----------------------|
| Depreciation                                                 |                     |                      |
| – properties, plant and equipment                            | 418,628             | 441,313              |
| – investment properties                                      | 3,066               | 3,020                |
| Amortisation of prepaid land lease payments                  | 18,059              | 18,425               |
| Employee benefit expenses, including directors' remuneration | 99,377              | 96,815               |
| Operating lease charges: minimum lease payments              |                     |                      |
| – hire of natural gas storage                                | –                   | 51,335               |
| – hire of a property                                         | 9,804               | 12,278               |
|                                                              | <u><b>9,804</b></u> | <u><b>12,278</b></u> |

## 7 Income tax expenses

|                             | <i>Note</i> | <b>2018</b><br><b>HK\$'000</b> | 2017<br>HK\$'000 |
|-----------------------------|-------------|--------------------------------|------------------|
| Current income tax:         |             |                                |                  |
| – Hong Kong profits tax     | (b)         | <b>4,248</b>                   | 3,402            |
| – PRC corporate income tax  | (c)         | <b>162,186</b>                 | 174,870          |
|                             |             | <b>166,434</b>                 | 178,272          |
| Deferred income tax charged | (d)         | <b>60,560</b>                  | 42,773           |
|                             |             | <b>226,994</b>                 | 221,045          |

- (a) The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Law of the Bermuda and, accordingly, is exempted from payment of the Bermuda income tax.
- (b) Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profit for the year.
- (c) The provision for PRC corporate income tax is based on statutory income tax rate of 25% of the assessable income of the subsidiaries of the Group as determined in accordance with the relevant income tax rules and regulations of the PRC (2017: 25%).
- (d) Dividend distribution out of profit of foreign-invested enterprises earned in the PRC subsequent to 1 January 2008 is subject to withholding tax at tax rate of 5% or 10%. During the year, withholding tax was provided for portion of the relevant undistributed profits of the Group's subsidiaries, joint ventures and associates established in the PRC at tax rate of 5% (2017: 5% or 10%).

## 8 Earnings per share

|                                                                   | <b>2018</b>      | 2017      |
|-------------------------------------------------------------------|------------------|-----------|
| Profit attributable to equity holders of the Company (HK\$'000)   | <b>1,262,071</b> | 1,207,928 |
| Weighted average number of ordinary shares in issue (shares '000) | <b>2,486,160</b> | 2,486,160 |
| Basic earnings per share (HK cents per share)                     | <b>50.76</b>     | 48.59     |

Diluted earnings per share is the same as the basic earnings per share as there were no dilutive potential ordinary shares in the current and prior years.

## 9 Trade and other receivables

|                                                           | 2018<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|-----------------------------------------------------------|-------------------------|-------------------------|
| Trade receivables                                         |                         |                         |
| – An intermediate holding company and a fellow subsidiary | 923,937                 | 567,961                 |
| – Bills receivables                                       | 18,261                  | 32,300                  |
| – Others                                                  | 2,543                   | 6,010                   |
|                                                           | <u>944,741</u>          | <u>606,271</u>          |
| Other receivables                                         |                         |                         |
| – Dividend receivables from joint ventures                | 51,360                  | 340,946                 |
| – Others                                                  | 46,201                  | 58,508                  |
|                                                           | <u>97,561</u>           | <u>399,454</u>          |
|                                                           | <u><b>1,042,302</b></u> | <u><b>1,005,725</b></u> |

The Group grants credit periods of 30 to 90 days or one year from the date of billing to its customers.

The amounts due from an intermediate holding company are unsecured, interest free and repayable on demand.

The ageing analysis of the trade receivables based on invoice date was as follows:

|                | 2018<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|----------------|-------------------------|-------------------------|
| Within 1 month | 143,720                 | 173,321                 |
| 1 to 2 months  | 71,830                  | 82,050                  |
| 2 to 3 months  | 10,094                  | –                       |
| 3 to 12 months | 334,037                 | 350,900                 |
| Over 12 months | 385,060                 | –                       |
|                | <u><b>944,741</b></u>   | <u><b>606,271</b></u>   |

## 10 Dividends

|                                                                                         | 2018<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|-----------------------------------------------------------------------------------------|-------------------------|-------------------------|
| Interim dividend declared and paid of HK5 cents<br>(2017: HK5 cents) per ordinary share | 124,308                 | 124,308                 |
| Final dividend proposed HK10 cents<br>(2017: HK7 cents) per ordinary share              | <u>248,616</u>          | <u>174,031</u>          |
|                                                                                         | <u><b>372,924</b></u>   | <u><b>298,339</b></u>   |

A final dividend in respect of the year ended 31 December 2018 of HK10 cents per share, amounting to a total dividend of HK\$248,616,000 is to be proposed at the annual general meeting on 12 June 2019. These financial statements do not reflect this dividend payable.

## 11 Trade and other payables

|                                                                                       | 2018<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|---------------------------------------------------------------------------------------|-------------------------|-------------------------|
| Trade payables                                                                        |                         |                         |
| – Fellow subsidiaries                                                                 | 37,686                  | 42,586                  |
| – Others                                                                              | <u>81,999</u>           | <u>70,571</u>           |
|                                                                                       | <u><b>119,685</b></u>   | <u><b>113,157</b></u>   |
| Other payables                                                                        |                         |                         |
| – Amounts due to immediate, intermediate holding companies<br>and fellow subsidiaries | 273,655                 | 75,803                  |
| – Accrued charges                                                                     | <u>116,256</u>          | <u>174,439</u>          |
|                                                                                       | <u><b>389,911</b></u>   | <u><b>250,242</b></u>   |
|                                                                                       | <u><b>509,596</b></u>   | <u><b>363,399</b></u>   |

The amounts due to immediate, intermediate holding companies and fellow subsidiaries are unsecured, interest free and repayable on demand.

The ageing analysis of the trade payables based on the invoice date was as follows:

|                    | 2018<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|--------------------|-------------------------|-------------------------|
| Current to 30 days | 91,145                  | 113,091                 |
| 31 to 60 days      | 28,540                  | 66                      |
|                    | <u>119,685</u>          | <u>113,157</u>          |

## 12 Commitments

- (a) As at 31 December 2018, the outstanding capital commitments not provided for in the financial statements were as follows:

|                                     | 2018<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|-------------------------------------|-------------------------|-------------------------|
| Contracted for but not provided for | <u>237,503</u>          | <u>372,136</u>          |

- (b) As at 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

|                                 | 2018<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|---------------------------------|-------------------------|-------------------------|
| Within 1 year                   | 8,442                   | 8,494                   |
| After 1 year but within 5 years | 13,408                  | 20,220                  |
| After 5 years                   | 11,592                  | 12,373                  |
|                                 | <u>33,442</u>           | <u>41,087</u>           |

The Group leases a number of properties with an initial lease term of 3 to 32 years, with an option to renew the lease. None of the leases includes contingent rentals.

- (c) As at 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were receivable as follows:

|                                 | 2018<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|---------------------------------|-------------------------|-------------------------|
| Within 1 year                   | 952                     | 1,536                   |
| After 1 year but within 5 years | —                       | 952                     |
|                                 | <u>952</u>              | <u>2,488</u>            |

## **FINAL DIVIDEND**

The Board recommended a dividend of HK15 cents per share payable in cash for the whole year of 2018 (2017: HK12 cents per share), excluding the interim dividend of HK5 cents per share in cash for 2018 (2017: HK5 cents per share) paid on 18 October 2018, the final dividend of HK10 cents per share in cash for 2018 (2017: HK7 cents per share) will be paid to all shareholders whose names appear on the register of members of the Company on 12 July 2019 (Friday).

## **CLOSURE OF REGISTER OF MEMBERS**

### **(i) For determining the entitlement to attend and vote at the 2018 annual general meeting**

The Company will convene the 2018 annual general meeting on 12 June 2019 (Wednesday), and the register of members of the Company will be closed from 6 June 2019 (Thursday) to 12 June 2019 (Wednesday) (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for attending the 2018 annual general meeting of the Company and casting votes at the meeting, all share transfers, accompanied by the relevant share certificates, must be lodged with Tricor Secretaries Limited, the branch share registrar of the Company at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:00 p.m. on 5 June 2019 (Wednesday).

### **(ii) For determining the entitlement to the proposed final dividend**

The register of members of the Company will be closed from 8 July 2019 (Monday) to 12 July 2019 (Friday) (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all share transfers, accompanied by the relevant share certificates, must be lodged with Tricor Secretaries Limited, the branch share registrar of the Company at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:00 p.m. on 5 July 2019 (Friday). The cheques for dividend payment will be sent to shareholders on or about 22 July 2019 (Monday).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review and outlook

In 2018, although China's economy faced certain downward pressure, the domestic demand for energy continued to increase significantly. In 2018, according to the figures disclosed by the related government departments, the apparent consumption of natural gas in China amounted to approximately 280.3 billion m<sup>3</sup>, representing a year-on-year increase of approximately 18.10%, whereas the total import of crude oil amounted to approximately 462 million tonnes, representing a year-on-year increase of approximately 10.10%. In order to fully grasp these opportunities in the market, the Group insisted on taking various measures to strive to increase economic benefits. The Group actively developed personalized services and enhanced service quality to expand its market share, implemented the accountability system of safety and safety risk rectification works to ensure the smooth operation of production facilities, exploited the delicacy management and controlled the cost to strive to reduce operating costs, and optimized its operation model and broke the restraint of equipment bottleneck to expand its business volumes. Leveraging on these efforts, both the annual oil terminal throughput and the natural gas pipeline transmission volume of the Group achieved record highs, which resulted in satisfactory operating results. Nevertheless, due to the adjustment of trans-provincial natural gas pipeline transmission tariff made by the Chinese government since September 2017, the Group's total revenue for 2018 dropped by approximately 4.26% year-on-year to approximately HK\$1,656 million, while its consolidated net profit grew by approximately 4.54% year-on-year to approximately HK\$1,261 million, translating into an earnings per share of HK50.76 cents. In appreciation of the long-term support of our shareholders and in view of the Company's overall cash flow position, the Board recommended the payment of annual dividend of HK15 cents per share for 2018, representing a year-on-year growth of approximately 25.00%. Excluding the interim dividend of HK5 cents per share paid, a final dividend of HK10 cents per share for 2018 is recommended, which represents a year-on-year increase of approximately 42.86%.

In 2018, Huizhou Daya Bay Huade Petrochemical Company Ltd. ("**Huade Petrochemical**"), a wholly-owned subsidiary of the Company, actively seized the favorable opportunity of high-load and stable operation of the refinery equipment for the largest customer of its downstream operations, China Petroleum & Chemical Corporation ("**Sinopec Corp.**") Guangzhou Branch ("**Guangzhou Petrochemical**"), by earnestly carrying out equipment maintenance to ensure that the crude oil terminal and storage facilities were in optimal working condition, which laid the foundation for providing quality services. Besides, Huade Petrochemical proactively established close communication and coordination with customers, meticulously organized the production and operation, and vigorously met the service needs of its downstream customers. During 2018, Huade Petrochemical unloaded approximately 12.55 million tonnes of crude oil from 86 oil tankers and transmitted approximately 12.62 million tonnes of crude oil, representing a year-on-year increase of approximately 7.91% and 7.68% respectively. This segment generated revenue of approximately HK\$656 million, representing a year-on-year growth of approximately 10.69%. The segment results from Huade Petrochemical were approximately HK\$275 million, representing a year-on-year increase of approximately 18.90%.

In 2018, benefiting from the Chinese government's continuous and steady promotion of the use of clean energy, the domestic natural gas market maintained a rapid growth in demand continuously. Nevertheless, comparing with the growth in demand, the increase in the production of natural gas in China was limited. Sinopec Yu Ji Pipeline Company Limited ("**Yu Ji Pipeline Company**"), a wholly-owned subsidiary of the Company, was also subject to the restraint of the resource supply bottleneck of natural gas. In order to meet the market demand for natural gas, and to increase the utilization of pipeline and improve the corporate economic benefits, Yu Ji Pipeline Company, on one hand, actively gave full play to gas storage facilities to get itself well prepared for the supply allocation of natural gas in low and peak seasons, and on the other hand, proactively contacted natural gas suppliers to expand its gas supply channels and strive to boost natural gas supply on the premise of ensuring safe and stable operation of the natural gas pipeline. In 2018, the natural gas transmission volume of Yu Ji Pipeline Company amounted to approximately 4.658 billion m<sup>3</sup>, representing a year-on-year increment of approximately 13.22%. This segment generated revenue of approximately HK\$1,000 million, representing a year-on-year decrease of approximately 12.05%. The segment results were approximately HK\$380 million, representing a year-on-year decrease of approximately 20.10%.

In 2018, the import demand for crude oil in China maintained a steady growth continuously, especially because some crude oil pipelines were built and put into use gradually, that created favorable conditions for the Company's crude oil terminal associates and joint ventures to further increase their terminal throughput. In 2018, the aggregate throughput of Zhan Jiang Port Petrochemical Jetty Co., Ltd. ("**Zhan Jiang Port Terminal**"), Qingdao Shihua Crude Oil Terminal Co., Ltd. ("**Qingdao Shihua**"), Ningbo Shihua Crude Oil Terminal Co., Ltd. ("**Ningbo Shihua**"), Rizhao Shihua Crude Oil Terminal Co., Ltd. ("**Rizhao Shihua**"), Tianjin Port Shihua Crude Oil Terminal Co., Ltd. ("**Tianjin Shihua**") and Tangshan Caofeidian Shihua Crude Oil Terminal Co., Ltd. ("**Caofeidian Shihua**") (collectively, the "**Six Domestic Terminal Companies**") reached approximately 237 million tonnes, representing a year-on-year growth of approximately 6.28%. The Six Domestic Terminal Companies generated an aggregate investment return of approximately HK\$879 million, representing a year-on-year increment of approximately 18.30%.

With the last liquefied natural gas ("**LNG**") vessel invested and constructed by the Group being put into operation in May 2018, all eight LNG vessels were completed and put into commercial operation since then. The Group strove to enhance the communication and liaison with the vessel management company, and actively promoted the operation and management of LNG vessels as well as the daily maintenance of vessels, to ensure that every LNG vessel was in good operating condition in order to gain sustainable and stable vessel chartering revenue. In 2018, two LNG vessels under the Papua New Guinea LNG Project completed a total of 22 voyages and the investment return generated from East China LNG Shipping Investment Co., Limited was approximately HK\$7.33 million, representing a year-on-year improvement of approximately 3.82%. The six LNG vessels under the Australia Pacific LNG Project completed a total of 70 voyages and the investment return generated from China Energy Shipping Investment Company Limited was approximately HK\$78.63 million, representing a year-on-year growth of approximately 39.71%.

In 2018, with the continuously sluggish demand of international petrochemical storage market and with not much improvement of geopolitical situation in certain regions, the leasing rates and rentals in oil tanks still hovered at lower levels. Under such difficult circumstances, Fujairah Oil Terminal FZC (“**FOT**”), a joint venture of the Company, strengthened itself with great assiduity that explored market share by providing quality services, achieved an annual average leasing rate of oil tanks close to 100%, and strove to reduce operating costs by enhancing its delicacy management. In addition, FOT actively enhanced the liaison with local governments to improve the business environment. In 2018, the oil storage facilities of FOT were officially connected to the public utility grid for the first time, marking the end of the history of relying on self-provided generators since the completion of the project. During the year, FOT generated an investment return of approximately HK\$8.33 million, representing a year-on-year decrease of approximately 72.42%. In 2018, Vesta Terminals B.V. (“**Vesta**”) in Europe, a joint venture of the Company, actively explored the storage business for different oil types to explore the market demand and strove to take various effective measures to reduce operating costs. With these efforts, Vesta generated an investment return of approximately HK\$3.49 million during the year, representing a year-on-year reduction of approximately 45.64%.

Looking forward to 2019, the global economy faces many uncertainties and its future is full of challenges. But throughout the history, the rise of uncertainties in short term is precisely a good opportunity to plan and study in depth for the structural reform. Under the leadership of the Board, the Company will monitor the situation and seek the development in face of the challenges. By accurately grasping and analyzing the operating environment and actual operation performance of its operating entities, and focusing on their respective operating characteristics and specific conditions, the Company will implement targeted policies and take specific and effective measures for entities with poor economic benefit to enhance their profitability in order to avoid the potential asset impairment risk caused by the continuous decline of operating results, to increase the market competitiveness and profitability of the Group continuously, and to strive for excellence in operating results to give back to our shareholders, staff and the society.

## **REVENUE**

For the year ended 31 December 2018, the Group’s revenue was approximately HK\$1,655,633,000 (2017: HK\$1,729,239,000), representing a decrease of approximately 4.26% as compared with the same period last year, which was mainly due to the decrease in revenue from natural gas pipeline transmission segment of the Group as a result of the fact that the PRC National Development and Reform Commission (the “**NDRC**”) implemented the new natural gas transmission tariff in accordance with the Measures for the Supervision and Review of Natural Gas Pipeline Transportation Pricing Costs (for Trial Implementation) (《天然氣管道運輸定價成本監審辦法(試行)》) (the “**Cost Supervision and Review Measures**”) since 1 September 2017.

## SEGMENTAL INFORMATION

For the year ended 31 December 2018, the segment revenue and segment results of the Group's crude oil jetty and storage business were approximately HK\$655,699,000 (2017: HK\$592,354,000) and HK\$1,165,834,000 (2017: HK\$1,010,380,000) respectively, representing an increase of approximately 10.69% and 15.39% respectively as compared with the same period last year, which was mainly due to the increase in business volume of the Group's crude oil terminals in 2018 as compared with last year.

For the year ended 31 December 2018, the segment revenue and segment results of the Group's natural gas pipeline transmission business were approximately HK\$999,934,000 (2017: HK\$1,136,885,000) and HK\$379,659,000 (2017: HK\$475,167,000) respectively, representing a decrease of approximately 12.05% and 20.10% respectively as compared with the same period last year, which was mainly due to the following reasons: on one hand, with reference to the Cost Supervision and Review Measures, the Group adjusted the depreciation durations for fixed assets of Yu Ji Pipeline Company since 1 January 2017, leading to a substantial decrease in the depreciation charges, which improved Yu Ji Pipeline Company's results performance during the period from January to August 2017; on the other hand, the NDRC adjusted the natural gas pipeline transmission tariff in accordance with the Cost Supervision and Review Measures since 1 September 2017, and the revenue from the natural gas pipeline transmission business of the Group decreased accordingly after the adjustment.

## OTHER INCOME AND OTHER GAINS, NET

For the year ended 31 December 2018, the Group's other income and other gains, net was approximately HK\$133,573,000 (2017: HK\$117,637,000), representing an increase of approximately 13.55% as compared with the same period last year. The increase was mainly due to two reasons: (i) the increase in the foreign exchange gain of the Group in 2018 as compared with the same period last year; (ii) the increase in the interest income of the Company from the shareholder's loans granted to its joint venture in 2018 as compared with the same period last year.

## DISTRIBUTION COSTS

For the year ended 31 December 2018, the Group's distribution costs were approximately HK\$15,094,000 (2017: HK\$19,810,000), representing a decrease of approximately 23.81% as compared with the same period last year. The decrease in distribution costs was mainly due to the slight decrease in the number of the Group's staff who were engaged in sales and the corresponding decrease in remuneration costs in 2018.

## ADMINISTRATIVE EXPENSES

For the year ended 31 December 2018, the Group's administrative expenses were approximately HK\$275,417,000 (2017: HK\$214,657,000), representing an increase of approximately 28.31% as compared with the same period last year. The increase in administrative expenses was mainly due to higher maintenance expenses resulting from the Group's increased efforts in this regard for safety risk rectification as compared with the same period last year. Besides, significantly higher legal costs arising from the arbitration of the project in respect of the Group's construction of 2.60 million m<sup>3</sup> oil storage and terminal facilities in Indonesia (the “**Batam Project**”) incurred in 2018.

## **OPERATING PROFIT**

For the year ended 31 December 2018, the Group's operating profit was approximately HK\$660,371,000 (2017: HK\$747,638,000), representing a decrease of approximately 11.67% as compared with the same period last year. The decrease in operating profit was mainly due to the decrease in the results of the Group's natural gas pipeline transmission segment and the increase in the Group's administrative expenses in 2018.

## **FINANCE INCOME**

For the year ended 31 December 2018, the Group's finance income was approximately HK\$3,168,000 (2017: HK\$3,833,000), representing a decrease of approximately 17.35% as compared with the same period last year, which was mainly due to a decrease in interest income on lower average deposits of the Group in 2018.

## **SHARE OF RESULTS OF JOINT VENTURES**

For the year ended 31 December 2018, the Group's share of results of joint ventures was approximately HK\$825,594,000 (2017: HK\$699,178,000), representing an increase of approximately 18.08% as compared with the same period last year, which was caused mainly by the significant boost in operating results with the increase of terminal throughput led by an active market expansion of Qingdao Shihua, Rizhao Shihua and Caofeidian Shihua, all being the joint ventures of the Company, in 2018.

## **PROPERTY, PLANT AND EQUIPMENT**

As at 31 December 2018, the Group's property, plant and equipment was approximately HK\$6,212,395,000 (as at 31 December 2017: HK\$6,915,064,000), representing a decrease of approximately 10.16% as compared with the end of last year, which, apart from the normal depreciation, was mainly due to the decrease in the amount of the Group's assets in the PRC denominated in RMB upon translation into HK\$ as a result of the depreciation of RMB against HK\$ at the end of the Period as compared with the end of last year.

## **PREPAYMENT AND OTHER RECEIVABLES**

As at 31 December 2018, the Group's prepayment and other receivables were approximately HK\$25,932,000 (as at 31 December 2017: HK\$50,082,000), representing a decrease of approximately 48.22% as compared with the end of last year, which was mainly due to the Group's increased efforts in collection of trade receivables.

## **INVENTORIES**

As at 31 December 2018, the Group's inventories were approximately HK\$17,110,000 (as at 31 December 2017: HK\$15,300,000), representing an increase of approximately 11.83% as compared with the end of last year, which was mainly caused by a modest increase in spare parts and components for the maintenance of the facilities held by the Group to ensure the normal operation of production facilities.

## LIQUIDITY AND SOURCE OF FINANCE

As at 31 December 2018, the Group's cash and bank balances amounted to approximately HK\$320,685,000 (as at 31 December 2017: HK\$409,855,000), representing a decrease of approximately 21.76% as compared with the end of last year, which was mainly due to the decrease in cash and bank balances held resulting from the increased loan repayments by the Group.

## GEARING RATIO

As at 31 December 2018, the Group's current ratio (current assets to current liabilities) was approximately 0.32 (as at 31 December 2017: 0.51); and gearing ratio (total liabilities to total assets) was approximately 27.32% (as at 31 December 2017: 33.47%).

## DEFERRED INCOME TAX LIABILITIES

As at 31 December 2018, the Group's deferred income tax liabilities were approximately HK\$130,299,000 (as at 31 December 2017: HK\$109,993,000), representing an increase of approximately 18.46% as compared with the end of last year, which was mainly due to an increase in deferred income tax liabilities incurred resulting from higher profits of Huade Petrochemical, a wholly-owned subsidiary of the Company, in 2018.

## BORROWINGS

As at 31 December 2018, the Group's borrowings amounted to approximately HK\$3,673,325,000 (as at 31 December 2017: HK\$5,163,110,000) in aggregate, all of which were current borrowings (as at 31 December 2017: HK\$2,387,658,000) and none of which were non-current borrowings (as at 31 December 2017: HK\$2,775,452,000), representing a decrease of approximately 28.85% as compared with the end of last year, which was mainly due to the fact that all long-term interest-bearing borrowings of Yu Ji Pipeline Company from China International United Petroleum & Chemicals Co., Ltd. ("UNIPEC"), an indirect controlling shareholder of the Company, became current borrowings upon maturity within one year, as well as the increased loan repayments by the Group during the Period.

## TRADE AND OTHER PAYABLES

As at 31 December 2018, the Group's trade and other payables were approximately HK\$509,596,000 (as at 31 December 2017: HK\$363,399,000), representing an increase of approximately 40.23% as compared with the end of last year, which was mainly due to the increase in the dividends payable to Sinopec Kantons International Limited ("**Kantons International**"), a direct controlling shareholder of the Company.

## SIGNIFICANT INVESTMENT, ACQUISITION AND DISPOSAL

In order to further increase the throughput capacity of the Group's crude oil jetties and improve the profitability, on 29 December 2018, Rizhao Shihua, a joint venture of the Company, completed the acquisition of a crude oil jetty and ancillary facilities with the largest tanker capacity of 300,000 tonnes, which was invested and constructed by Rizhao Port Group Co., Ltd., at a consideration of RMB973,299,029 (exclusive of tax) from Rizhao Port Group Co., Ltd..

Save as disclosed in this announcement, the Company did not have any other significant investment, acquisition and disposal for the year ended 31 December 2018.

## EXCHANGE RISK

The Company is engaged in petrochemical storage, terminal and logistics businesses in the PRC, Europe and the United Arab Emirates ("UAE") through its respective subsidiaries, associates and joint ventures, and generates operating income in RMB, Euro and US\$ respectively. As the exchange rates of RMB, Euro and US\$ against HK\$ fluctuate, the Group faces exchange risk to a certain extent.

On 9 October 2012, the Group entered into the shareholders' agreement for the Batam Project. In accordance with the shareholders' agreement, on 31 December 2018, the Group committed itself to a contribution obligation not exceeding the balance of US\$144,685,000. Along with the progress of the project and schedule, the Group shall fulfill the corresponding contribution obligations in accordance with the above agreement. As the exchange rates of such currencies fluctuate from time to time, there may be differences between the amount in HK\$ to be paid accordingly and the amount based on the corresponding exchange rate as at the date of the agreement.

Save for the above, the Group was not exposed to any other significant exchange risk during the Year.

## BATAM PROJECT

On 9 October 2012, the Company, through its wholly-owned subsidiary, Sinomart KTS Development Limited ("**Sinomart Development**"), acquired 95% equity interest in PT. West Point Terminal ("**PT. West Point**"), and proposed to invest and construct the Batam Project in Indonesia via PT. West Point. Due to its minority shareholder from Indonesia, the project was still pending during the Year.

On 11 November 2016, Sinomart Development and PT. West Point received two requests for arbitration notices from the International Court of Arbitration of the International Chamber of Commerce ("**ICC**") in respect of the submission of arbitration applications. Currently, the parties are conducting the said arbitration in accordance with the ICC arbitration proceedings. As at the date of this announcement, the arbitral tribunal has been established and the relevant parties are undergoing arbitration according to the schedule stipulated by the tribunal. It is hard to precisely predict the results of the arbitration at the current stage; therefore, investors are reminded to pay attention to the corresponding risk that may arise from such uncertainties.

For details, please refer to the announcements dated 25 April 2010, 9 October 2012, 15 November 2016 and 21 March 2017 which were published by the Company on the website of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (www.hkexnews.hk) and the website of the Company (www.sinopec.com.hk). The Company will take all appropriate measures in respect of the above arbitration and protect the rights and interest of the Company.

## **EMPLOYEES AND EMOLUMENT POLICIES**

As at 31 December 2018, the Group had a total of 236 employees. Remuneration packages, including basic salaries, bonuses and benefits-in-kind, are structured with reference to market terms, trends of human resources costs in various regions, and employee contributions based on performance appraisals. Subject to the profit of the Group and the performance of the employees, the Group also provides discretionary bonuses to employees as an incentive for their greater contributions.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Company convened an annual general meeting on 27 June 2018. Mr. Chen Bo, Chairman of the Board, did not attend and preside this annual general meeting for reasons of official duties.

Save as disclosed above, the Company has complied with the applicable code provisions of the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) for the year ended 31 December 2018.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

During the year ended 31 December 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

## **AUDIT COMMITTEE**

Since the appointment of Ms. Wong Pui Sze, Priscilla as a member of the Audit Committee of the Company on 22 March 2018, the members of the Audit Committee increased from the original three independent non-executive Directors to four independent non-executive Directors, of which Mr. Fong Chung, Mark is the chairperson. The Audit Committee is responsible for reviewing the accounting principles and practices, auditing, internal control and risk management, internal audit and legal and regulatory compliance of the Group. It also reviews the interim and annual results of the Group prior to recommending them to the Board for approval.

## **REMUNERATION COMMITTEE**

Since the appointment of Ms. Wong Pui Sze, Priscilla as a member of the remuneration committee of the Company (the “**Remuneration Committee**”) on 22 March 2018, the members of the Remuneration Committee increased from the original three independent non-executive Directors and two executive Directors to four independent non-executive Directors and two executive Directors, of which Ms. Tam Wai Chu, Maria, an independent non-executive Director, is the chairlady.

## NOMINATION COMMITTEE

Since the appointment of Ms. Wong Pui Sze, Priscilla as a member of the nomination committee of the Company (the “**Nomination Committee**”) on 22 March 2018, the members of the Nomination Committee increased from the original three independent non-executive Directors and two executive Directors to four independent non-executive Directors and two executive Directors, of which Dr. Wong Yau Kar, David, an independent non-executive Director, is the chairperson.

## CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 of the Listing Rules as its own code of conduct regarding the Directors’ securities transactions. Having made specific enquiry to all Directors, all Directors confirmed that they had complied with the required standard set out in the Model Code during the year ended 31 December 2018.

## PUBLICATION OF ANNUAL RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.sinopec.com.hk](http://www.sinopec.com.hk)).

By order of the Board  
**Sinopec Kantons Holdings Limited**  
**Chen Bo**  
*Chairman*

Hong Kong, 21 March 2019

As at the date of this announcement, the Board comprises the following:

### **Executive Directors:**

Mr. Chen Bo (*Chairman*)  
Mr. Xiang Xiwen (*Deputy Chairman*)  
Mr. Dai Liqi  
Mr. Li Jianxin  
Mr. Wang Guotao  
Mr. Ye Zhijun (*Managing Director*)

### **Independent Non-executive Directors:**

Ms. Tam Wai Chu, Maria  
Mr. Fong Chung, Mark  
Dr. Wong Yau Kar, David  
Ms. Wong Pui Sze, Priscilla

\* *For identification purposes only*